

BEFORE THE
CALIFORNIA BOARD OF ACCOUNTANCY
DEPARTMENT OF CONSUMER AFFAIRS
STATE OF CALIFORNIA

In the Matter of the Statement of Issues
Against:

GORDON H. FLATTUM
6027 South Bell Street
Tacoma, Washington, 98408

Respondent.

Case No. AP-203-250

OAH No. N 2004010178

PROPOSED DECISION

On March 16, 2004, in Sacramento, California, Leonard L. Scott, Administrative Law Judge, Office of Administrative Hearings, State of California, heard this matter.

Kent P. Harris, Deputy Attorney General, represented complainant.

Gordon H. Flattum, respondent, appeared in his own behalf.

Evidence was received, the record was closed and the matter was submitted.

FACTUAL FINDINGS

1. Carol Sigmann, Executive Officer of the California Board of Accountancy (Board) filed the Statement of Issues against respondent. Sigmann acted in her official capacity.
2. On or about January 10, 2002, respondent filed an application for licensure as a certified public accountant with the Board.
3. On March 8, 1993, in the United States District Court for the District of Oregon, in the matter entitled *United States of America v. Gordon H. Flattum*, case number

CR 91-349-2FR, respondent was convicted by a jury of six crimes: one count of conspiracy to file false statements, commit securities fraud & money laundering; one count of securities fraud; three counts of filing false statements; and one count of money laundering, in violation of: Title 15, United States Code 78j(b) and 78ff; Title 18, United States Code 2, 371, 1001, and 1956(a)(2); and Title 17, Code of Federal Regulations 240.10b-5, felonies. Respondent's crimes involved dishonesty and are substantially related to the qualifications, functions and duties of a certified public accountant. He was sentenced to 37 months in prison, was ordered to pay \$15,000 in fines and upon completion of the time in prison was released under supervision for three years. He served his time in prison and paid his fine in full, then his supervised release was terminated early on December 3, 1996.

The facts and circumstances of respondent's crimes are that while acting as a consultant to Melridge, Inc., a corporation, respondent participated in a conspiracy to conceal the true financial status of the corporation by inflating its earnings and value at a time when it was selling bonds in itself.

4. On May 27, 1994, in The Matter of the Certificate and/or License(s) to Practice as a Certified Public Accountant of Gordon H. Flattum, CPA, Respondent, case number ACB-336, the State of Washington's Board of Accountancy (Washington Board) revoked for a period of 10 years respondent's Washington license to practice as a certified public accountant. The revocation was based upon the above criminal convictions because the conduct directly related to the licensed activity even though he was not acting as a CPA when he committed the crimes.

On July 28, 1998, the Washington Board denied respondent's Petition for Reinstatement because of the seriousness of his crimes and his failure to appreciate their significance and relevance to his fitness to practice as a certified public accountant.

Respondent appealed the denial. On August 4, 2000, the Court of Appeal of the State of Washington affirmed the denial on the basis that the Washington Board did not err in concluding that respondent had not demonstrated "good cause" for reinstatement before the Washington Board.

Respondent has not been reinstated as a certified public accountant in the State of Washington.

5. Respondent is 67 years of age. He was not charged with or convicted of any crimes prior to the 1993 convictions and has not been charged with or convicted of any since then. He has performed some accounting work for accountants and has taken some accounting courses to maintain his skills since the convictions.

In addition to the 1993 criminal convictions, respondent and the others involved were sued and a triple damages judgment was rendered against them in the amount of approximately \$264,000,000. Respondent has not paid anything toward that judgment but various firms and individuals have paid approximately \$55,000,000 of that amount.

Respondent signed a consulting contract with Melridge, Inc., on March 26, 1985 and worked for Melridge, Inc., until 1987. Respondent testified that the only crime for which he was convicted was conspiracy. (The court documents clearly establish that he was convicted not only of conspiracy but also of securities fraud, filing false statements and money laundering.) He also testified that his criminal convictions were not substantially related to the practice of a certified public accountant but the Washington Board made a specific finding that it was directly related.

6. Certified public accountants must be honest, truthful and forthright and respondent's criminal convictions indicate he lacked such qualities while working for Melridge, Inc. His testimony at this hearing demonstrated a lack of insight into his crimes and his responsibility for his acts that formed the basis for those criminal convictions. He attempted to minimize and understate the numbers and seriousness of his crimes. Respondent failed to demonstrate rehabilitation.

LEGAL CONCLUSIONS

1. Cause for denial of respondent's application for a license was established for violation of Business and Professions Code section 480, as found in Finding 3.

2. Cause for denial of respondent's application for a license was established for violation of Business and Professions Code section 5110(a)(4) and (d), as found in Finding 4.

ORDER

The application for licensure of respondent Gordon H. Flattum is denied.

Dated: April 13, 2004



LEONARD L. SCOTT
Administrative Law Judge
Office of Administrative Hearings

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**BEFORE THE
CALIFORNIA BOARD OF ACCOUNTANCY
DEPARTMENT OF CONSUMER AFFAIRS
STATE OF CALIFORNIA**

In the Matter of the Accusation Against:

GORDON H. FLATTUM
6027 SOUTH BELL STREET
TACOMA, WA 98408

Respondent

File No. AP-2003-250

OAH No. N2004010178

The attached Proposed Decision of the Administrative Law Judge is hereby adopted by the
CALIFORNIA BOARD OF ACCOUNTANCY as its Decision in the above-entitled matter.

This Decision shall become effective on May 18, 2004.

It is so ORDERED on this 18th day of May, 2004.



IAN B. THOMAS, BOARD PRESIDENT
For the California Board of Accountancy
California Department of Consumer Affairs

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of the State of California
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6 Attorneys for Complainant

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8 **BEFORE THE**
CALIFORNIA BOARD OF ACCOUNTANCY
9 **DEPARTMENT OF CONSUMER AFFAIRS**
10 **STATE OF CALIFORNIA**

11 In the Matter of the Statement of Issues Against:

Case No. AP-2003-250

12 GORDON H. FLATTUM
6027 South Bell Street
13 Tacoma , Washington 98408

STATEMENT OF ISSUES

14 Respondent.

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16 Complainant alleges:

17 PARTIES

18 1. Carol Sigmann (Complainant) brings this Statement of Issues solely in her
19 official capacity as the Executive Officer of the California Board of Accountancy, Department of
20 Consumer Affairs.

21 2. On or about January 10, 2002 Gordon H. Flattum (Respondent) submitted
22 his application for certified public accountant license to the California Board of Accountancy.

23 JURISDICTION

24 3. This Statement of Issues is brought before the California Board of
25 Accountancy (Board), Department of Consumer Affairs, under the authority of the following
26 laws. All section references are to the Business and Professions Code unless otherwise indicated.

1 4. Section 480 of the Code states in pertinent part:

2 "(a) A board may deny a license regulated by this code on the grounds that the
3 applicant has one of the following:

4 "(1) Been convicted of a crime. A conviction within the meaning of this section
5 means a plea or verdict of guilty or a conviction following a plea of nolo contendere. Any action
6 which a board is permitted to take following the establishment of a conviction may be taken
7 when the time for appeal has elapsed, or the judgment of conviction has been affirmed on appeal,
8 or when an order granting probation is made suspending the imposition of sentence, irrespective
9 of a subsequent order under the provisions of Section 1203.4 of the Penal Code.

10 "(2) Done any act involving dishonesty, fraud or deceit with the intent to
11 substantially benefit himself or another, or substantially injure another; or

12 "(3) Done any act which if done by a licentiate of the business or profession in
13 question, would be grounds for suspension or revocation of license.

14 "The board may deny a license pursuant to this subdivision only if the crime or act
15 is substantially related to the qualifications, functions or duties of the business or profession for
16 which application is made."

17 5. Section 5110 of the Code states in pertinent part that:

18 " (a) After notice and an opportunity for a hearing, the board may deny an application for
19 a license or registration to any individual who has committed any of the following acts:

20 (4) Any act that if committed by an applicant for licensure would be grounds for
21 denial of a license or registration under Section 480 or if committed by a licensee or a registrant
22 would be grounds for discipline under section 5100."

23 6. Section 5100 of the Code states in pertinent part that a license or registration
24 may be subject to discipline for "(d) Cancellation, revocation, or suspension of a certificate or
25 other authority to practice as a certified public accountant or a public accountant...or any other
26 discipline by any other state..."

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7. Respondent's application is subject to denial under section 480 in that on March 8, 1993 he was convicted of substantially related crimes in the case of *United States of America v. Gordon H. Flattum*, in the United States District Court for the District of Oregon, Case no. CR 91-349-2 (FR). Respondent was convicted by jury verdict on six counts: one count conspiracy to file false statements, commit securities fraud & money laundering; one count securities fraud; three counts of filing false statements; and one count of money laundering.

14 || (Acts which would have subjected a licensee to discipline)

15 8. Respondent's application is subject to denial under section 5100(d) and
16 5110(a)(4) in that on May 27, 1994 his Washington State license to practice as a certified public
17 accountant was revoked for a period of ten (10) years by the Washington State Board of
18 Accountancy in *The Matter of the Certificate and/or license(s) to practice as a Certified Public*
19 *Accountant of Gordon H. Flattum, CPA, Respondent*; Case no. ACB-336. The revocation was
20 based on the convictions set forth in paragraph 7 above.

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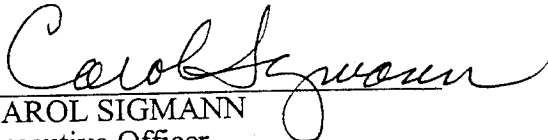
1 PRAYER

2 WHEREFORE, Complainant requests that a hearing be held on the matters herein
3 alleged, and that following the hearing, the California Board of Accountancy issue a decision:

4 1. Denying the application for Certified Public Accountant License submitted
5 by Gordon H. Flattum;

6 2. Taking such other and further action as deemed necessary and proper.
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9 DATED: December 5, 2003

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11 
12 CAROL SIGMANN
13 Executive Officer
14 California Board of Accountancy
15 Department of Consumer Affairs
16 State of California
17 Complainant

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